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23 March 1978

MEMORANDUM FOR: Deputy Director for Administration

FROM: James H. McDonald  
Director of Logistics

SUBJECT: Report on Industrial Contracts and  
Industrial Security

REFERENCES: (a) Industrial Contracts and Industrial  
Security Final Report dtd February 1978

[REDACTED]

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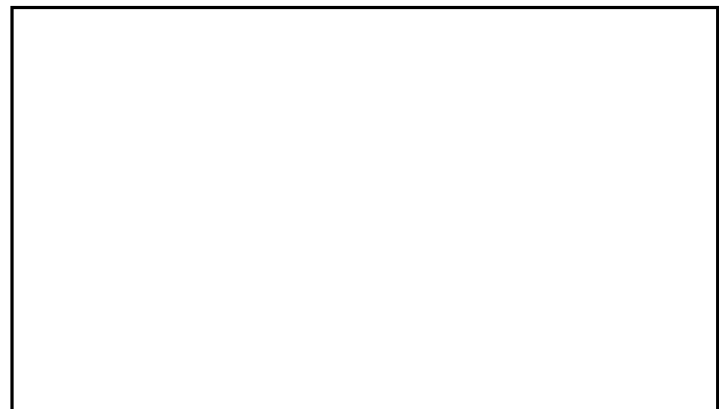
(b) Multiple Adse Memo dtd 28 Feb 78 fm  
DDA, same subject [REDACTED]

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1. Action Requested: This memorandum is for information only and is in response to reference (b) request for a position on recommendations contained in reference (a) as they pertain to the Office of Logistics (OL).

2. Background: In September 1977 the Acting DCI established the requirement for a comprehensive review of our organizational structure, policies, and procedures by which we carry out our program of industrial contracting and industrial security. A task force was assembled, and the referent report is the result of their efforts and includes 27 specific recommendations.

25X1A 3. Staff Position: The OL member of the task force, [REDACTED] has kept me generally informed of the parameters of the study and the discussion on various issues. I also had the privilege of meeting with the task force to present my views and answer their questions with respect to these issues. 25X1



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The following is, therefore, the OL position on the specific recommendations of the report:

Recommendation #1: That there be one delegation of contracting authority from the DCI to the D/Log with redelegation of that authority to the contracting officers for national and CIA programs.

Position: OL concurs with the recommendations of the task force.

Discussion: A single delegation will provide the Agency with a uniform voice with respect to procurement policy, practices, and procedures. It will also provide a focal point for the appeal and resolution of all procurement problems. The current dual delegation with resultant duality of policies and procedures has caused confusion and inefficiencies not only with Agency contractors but also internally; a single delegation should minimize these problems. It is recognized that cover and security procedures and practices must be different for national programs as contrasted to most Agency contracts, but that does not obviate the need for sound and consistent procurement policies similar to those applicable to all federal procurements. However, the assumption of responsibility for the national program contracts, which are nearly double the annual dollar rate of Agency-funded contracts, and the complexities of these programs represent a formidable task. I believe if we are able to augment our procurement management elements and move slowly on full implementation of review and approval procedures, we will be able to implement this recommendation with minimal interruption of program activity. This effort, however, will require full-time attention of senior procurement management officers.

Recommendation #2: That decentralized contracting procedures be continued as the most cost effective method for carrying out industrial R&D contracting.

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Position: OL concurs with the recommendations  
of the task force.

Discussion: While I concur with the recommendation,  
I feel it is necessary that periodic review of the de-  
centralized teams be made by Procurement Management  
Staff (PMS) to ascertain their efficiency and effective-  
ness. There are certain types of procurements that can  
better be handled centrally where there is little or  
no need for close rapport or accessibility of the  
procurement officer to the COTR. Further, continued  
reorganization and reassignment of technical responsi-  
bilities within DDS&T and NFAC can cause wide variation  
in decentralized team workloads. While the Director  
of Logistics can transfer his careerists from one team  
to another, he cannot transfer positions. An agreement  
on this matter with affected Deputy Directors would,  
I believe, facilitate the management of the procurement  
workload.

Recommendation #6: That the D/Sec examine the ISO  
support structure in order to recommend to the con-  
tracting components effective functional realignment  
and reporting responsibilities. Emphasis should be  
placed on a more efficient structuring of the industrial  
security staffing [REDACTED]

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Position: OL concurs with the recommendations  
of the task force.

Discussion: Although the recommendation places  
emphasis on examining the ISO structure [REDACTED]  
[REDACTED] it does not specifically address the functions  
and responsibilities of the two DDS&T industrial secu-  
rity officers involved or recommend their assignment  
to OL's Industrial Security Program. Their duties  
and responsibilities directly relate to activities  
which are under the cognizance of OL Security Staff,  
and I would recommend that D/Sec resolve this situa-  
tion in favor of transferring these positions to OL.

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I believe DDS&T is supportive to this recommendation. I would also recommend that the D/Sec include in his review the organizational functions and numbers of personnel assigned to the Security Staff, OL, in view of the need to implement and monitor the new and extensive changes in industrial security policies and procedures the DCI has approved.

Recommendation #7: That the Office of Legislative Counsel, in coordination with the Office of General Counsel, advise the DCI of legislative proposals which could severely impact on the procurement authorities of Section 8 of the CIA Act.

Position: OL concurs with the recommendations of the task force.

Discussion: Although referent (b) did not transmit the final report to OLC and OGC, it is my understanding that OGC has a copy of the report and is reviewing the recommendation. OL will be glad to work with both offices and provide assistance or information as needed.

Recommendation #8: That CIA continue to utilize the ASPR to the maximum practicable extent except in those areas in which the FPR is mandatory for all federal agencies.

Position: OL concurs with the recommendations of the task force.

Discussion: None.

Recommendation #9: That the D/Log continue to issue notices on procurement policy and procedures which complement the ASPR and FPR and permit sufficient flexibility for procurement responsiveness to mission requirements.

Position: OL concurs with the recommendations of the task force.

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Recommendation #18: That the General Counsel and the D/Log determine what further manpower may be necessary to enable the division to provide the desired legal support to the industrial contracting process while fulfilling its other assigned responsibility.

Position: OL concurs with the recommendations of the task force.

Discussion: This recommendation was the subject of a recent discussion between the D/Log and OGC which culminated in the assignment of a third attorney to the Logistics and Procurement Law Division, OGC, which is assigned to OL. The workload of this group remains exceptionally heavy in light of the current environment of obtaining a legal opinion for almost everything we do. I suggest that OGC and OL jointly monitor the situation for another 6 months to determine if the backlog decreases.

Recommendation #19: That the D/Log consider the establishment of a Deputy Director for Industrial Contracting.

Recommendation #20: That the D/Log review the Procurement Management Staff to assure that it is staffed to carry its responsibilities.

Position: OL concurs with the recommendations of the task force. However, because of the importance and magnitude of these two recommendations, they should be considered together.

Discussion: OL proposes to create a new Deputy Director for Procurement (DD/P) reporting directly to the D/Log. The DD/P would have command responsibility for OL/PD, [ ] and OL/PMS and would be the responsible officer for providing procurement policy, procedure, LOI's, and personnel evaluation to the decentralized teams. He would receive the C.O.

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delegation from the D/Log and make all further redelegations. I visualize him with a slightly expanded PMS to implement and monitor the recommendations contained herein. I think it important to recognize that the total estimates annual dollar value of procurements for which he will oversee will

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Attachment 1 to this memorandum is a wiring diagram of how the proposed procurement organization would be structured.

Recommendation #21: That the D/Log reduce [redacted] Procurement Office activities by re-directing competitive industrial R&D contracting responsibility to the component contracting teams.

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Position: OL concurs with the recommendations of the task force.

Discussion: I believe it in the best interests of the procurement system that all contracts whether R&D, Production or Services which are formally competed through the RFP process and the evaluation and source selection is made by the Headquarters contracting officer that he should retain responsibility for his decisions and both award and administer the resulting contract. A recent analysis by PMS indicated that this will have little effect on [redacted] workload since there were only 10 competitive actions handled by them in FY-77.

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Recommendation #24: That the Director of Logistics (for contracting officers) and the Director of Finance (for auditors) participate jointly with Agency procurement components in preparing Letters of Instruction. The Director of Logistics and the Director of Finance shall also prepare written evaluations of their personnel

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assigned to Industrial Contracting Teams to ensure assessment of their technical performance. These evaluations shall be shown to the individuals concerned, attached to their fitness reports and included in their official personnel files.

Position: OL concurs with the recommendations of the task force.

Discussion: Under the proposed reorganization mentioned under Recommendations #19 and 20 above, I envision the DD/P to implement and be responsible for this action since he will have frequent interface with all of our procurement officers.

Recommendation #25: That a compartmented contract management system be developed which will include the requirements of the users of CONIF, STEPS and SPA and that the D/Log establish procedures for utilizing this system to monitor the performance of Agency contracting elements.

Position: OL does not concur. ✓

Discussion: Basically STEPS and SPA are DDS&T managerial and budget control systems and do not have the detailed contract information data base as needed in the CONIF system. To attempt to integrate or develop a new system encompassing the requirements of all three systems would be a lengthy and costly venture. I believe that if DDS&T wishes to utilize for its own purposes STEPS and SPA, we should not object. Since most of, if not all, the contracts set forth in STEPS are also included in greater depth in CONIF, all that is required is to enhance the CONIF system to provide for acceptance of national contracts,

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maintain their compartmentation to the extent necessary, yet be able to roll up the totality of both sides by contractor and dollars.

4. The Task Force prepared an Industrial Security Interim Report (ISIR) which contained a number of recommendations concerning the responsibilities of the D/Sec. These recommendations were approved by the DCI. While we have no basic problems with the ISIR recommendations, we believe the following comments should be taken into consideration prior to implementation of ISIR Recommendations #7 and 11.

ISIR Recommendation #7: Develop a centralized index which will enable oversight security analysis of the personnel and facilities involved in Agency classified contracts at each contractor facility.

Comments: OL appreciates the desire for such an index, a good portion of which would come from existing SS/OL personnel clearance records. Our concern centers on what use such an index would be put. Who could access the index and who would control dissemination of the information? The release of information pertaining to contractors solely involved in [ ] contracts would have to be handled with caution, otherwise there exists a real risk in jeopardizing the Agency-contractor classified association. There must be a positive control element or mechanism to protect this.

ISIR Recommendation #11: Designate a single Industrial Security Officer (ISO) to conduct inspections and give policy guidance at each contractor facility unless cover and operational security do not permit.

Comment: It is reasonable to consider inspections by a single inspector, but it may not be practical unless the inspector is limited to

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the basic procedural and physical security requirements of the Industrial Security Manual. Policy guidance in the operational security sphere would, of necessity, have to be furnished by the cognizant Headquarters Security Team member responsible for the security of the particular contract or project being performed at the contractor's facility.

5. I, and members of my staff, would be pleased to discuss the above comments and positions we have taken on the recommendations at your pleasure.

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James H. McDonald

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